



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

December 23, 2014

OFFICE OF  
ADMINISTRATION  
AND RESOURCES  
MANAGEMENT

Dale Marsico  
Community Development Transportation Lending Services Inc.  
1341 G Street NW, 10<sup>th</sup> Floor  
Washington, DC 20005-3105

RE: Closeout of Cooperative Agreement DE-83469201

Dear Mr. Marsico:

This letter is in reference to the closeout of Cooperative Agreement DE-83469201 (2010 Grant). I know CDTLS has been working with its EPA Project Officer, Tyler Cooley, on wrapping up the grant. Based on CDTLS's November 7<sup>th</sup> email to him, we understand CDTLS is requesting EPA to:

1. Grant an extension to the 90 day closeout period in order to revise progress reports to include an additional \$440,000 loan with Meadowbrook Leasing (Meadowbrook Loan) not reported in the final reports submitted on September 30<sup>th</sup>, 2014; and
2. Allow CDTLS to use remaining program income of \$123,562.40 (accrued as of 6/30/2014) and the \$234,773.68 in unobligated/unspent grant funds to fund the Meadowbrook Loan reported to EPA on October 10, 2014.

As you are aware, the project period for this grant agreement ended on June 30, 2014 and the 90-day closeout period ended on September 30, 2014. During this time, CDTLS submitted several revisions to its progress reports for the quarter ending June 30, 2014. On September 30, 2014, CDTLS submitted a final progress report to EPA as required by the grant agreement and 40 CFR 30.51(b).

Generally, the closeout period provides time for the grantee to make final payments for projects completed during the project period and to prepare final reports. We understand the unique nature of this finance grant and have done what we could to assist with the loan projects initiated in late June.

At this point in time, as we consider CDTLS's request, we have concerns regarding the final two loans made under this grant (with Charles Jefferies & Sons and Meadowbrook Leasing) and the lack of progress made under CDTLS's 2008 Finance Grant Closeout Agreement.

Reporting of the Meadowbrook Loan

As stated above, CDTLS submitted its final report on September 30, 2014 and made no mention of the additional Meadowbrook Loan. Nor did CDTLS mention the additional loan in other reports or communications with the EPA until after EPA notified CDTLS that reported program income needed to be returned to the Agency.

Further, the final progress report shows a reporting period of April 1, 2014 to June 30, 2014 and the first narrative response states "During this quarter no additional EPA or non-EPA funds were lent to Meadowbrook." Additionally in CDTLS's May 30, 2014 response to EPA's 2014 Advanced Monitoring Report, CDTLS indicated that Meadowbrook had encountered financial problems and CDTLS was seeking alternative lending partners for the finance program.

CDTLS provided a revised Final Financial Report to EPA's Las Vegas Finance Center on October 21, 2014 and stated that \$234,773.68 remained unobligated/unspent. The FFR is an important step in the closeout process and provides a final accounting of the use of Federal award funds.

#### Loan Agreement with Charles Jefferies & Son

CDTLS reported entering into a loan agreement with Charles Jefferies & Sons on June 26, 2014. The loan agreement and promissory note reflect a total loan amount of \$240,000, however the final report (submitted on 9/30/14) shows a \$195,000 for three truck replacement loans. Page 1 of the loan agreement also states "the purpose of this loan is to purchase used trucks with engines that were built in 2007 or later and refinance existing refrigerated trailers." As stated in Programmatic Condition 4.j of the grant agreement, and communicated by the EPA Project Officer, award funds under this grant cannot be used to buy/finance trucks with 2007 or newer engines unless the newer trucks are replacing pre-2007 trucks that will be scrapped. Award funds also cannot be used to finance or refinance refrigerated trailers. The Charles Jefferies loan agreement does not reflect these limitations.

In 2010 Grant workplan, CDTLS committed to finance trucks that regularly service the ports of Charleston, SC; Savannah, GA; or the rail yards of the Chicago-Gary area. Charles Jeffries & Sons website states it "is a truckload carrier that services all 48 states" and its primary areas of service are "East of Kansas & Nebraska with refrigerated trailers." Therefore, we question if this loan agreement is consistent with the workplan's target fleet of trucks.

Also, CDTLS submitted copies of what was purported to be the same the June 26<sup>th</sup> loan agreement with Charles Jefferies & Sons on both July 17, 2014 and November 5, 2014; however, there are different signatures by CDTLS on both documents. The July 17<sup>th</sup> version is signed by Charles Dickenson and the November 5<sup>th</sup> version is signed by Dale Marsico. (Note, the signature page shows the date of closing to be April 4, 2016.)

#### Lack of Progress under 2008 Closeout Agreement

In early 2013, as part of the closeout of the 2008 Cooperative Agreement DE-83412501 (2008 Grant), CDTLS and EPA entered into a Closeout Agreement that stipulated the management and use of award funds beyond the performance period of the 2008 Grant. Under the 2008 Grant Closeout Agreement, CDTLS is able to provide financing to truck owners for the retrofit or replacement of pre-2007 engine model year trucks. The terms of this agreement are very similar to the terms of the 2010 Grant Agreement.

Since the signing of the 2008 Grant Closeout Agreement, CDTLS has not reported any new loans and as of the most recent quarterly progress report dated September 30, 2014, CDTLS has accrued over \$769,526.86 in unspent loan repayments.



Recommendations:

Given the concerns stated above, at this time, EPA advises CDTLS to:

1. Finance the Meadowbrook Loan with the \$769,526.86 of accrued loan repayments<sup>1</sup> collected under the 2008 Grant Closeout Agreement. EPA awarded the 2008 Grant, in part, due to CDTLS's commitment to continue relending loan repayments for additional emission reduction projects.
2. Clarify the terms of the Charles Jefferies & Sons loan agreement to ensure the loan is used only for eligible projects and that the borrower complies with truck scrappage requirements of Condition 4.j.
3. As required by 40 CFR 30.71(d) return the \$123,562.40 in accrued program income to EPA at the address below. Please include the grant number DE-83469201 on the check.

U.S. Environmental Protection Agency  
P.O. Box 979087  
St. Louis, MO 63197-9000

We understand that this conclusion does not grant the requests CDTLS has made to the Agency and we also agree that it is unfortunate more progress could not be made during the project period of the 2010 Grant. However, EPA feels utilizing the 2008 Grant Closeout Agreement funds is a more efficient, responsible, and prudent use of the limited public funds available to reduce emissions from the legacy fleet of older diesel engines currently in operation.

EPA will follow-up, in writing, within the next 45 days with a final plan for the closeout of the 2010 Grant. In the meantime, CDTLS should continue to collect and account for loan repayments, accrued after June 30, 2014, in a manner consistent with the 2010 Grant Agreement.

Sincerely,



Jill Young  
Branch Chief  
Grants & Interagency Agreements Management Division  
U.S. Environmental Protection Agency

cc:

Tyler Cooley, Office of Transportation & Air Quality  
Jennifer Keller, Office of Transportation & Air Quality  
Stephen Hess, Office of General Council  
Thuy Nguyen, Office of Grants & Debarment  
Gary Carrozza, Office of Grants & Debarment

---

<sup>1</sup> As of the 9/30/2014 2008 Grant Closeout Agreement Progress report, CDTLS reported \$1,275,310.86 in loan repayments and \$505,784.00 in loans made with RLF funds.  $\$1,275,310.86 - \$505,784.00 = \$769,526.86$